Sectt. II-27—25,006—27-10-33.

Secretariat record (1934) **Department.**

Res SERIES.

G.O. No. 601

DATED 3. iv 34.

[Despatch Abstract.]

Co-operative Societies Central Banks -
Despatch Co-operative Central Bank Ltd -
Bellary District Inspector's Report -
working - Committee - Superseded
- Papers recorded.

Des. 517-III
30-1-34

C.F. 30

ASSISTANT SECRETARY TO GOVERNMENT
30 JAN 1934
DEVELOPMENT DEPARTMENT

CO-OPERATIVE DEPARTMENT.

Received ..... 19 *Registered* 19

Subject.

The Hospet Co-operative Central Bank - Unsatisfactory working - steps taken - report submitted.

ENCLOSURES.
No. ✓
Spare copies

No. A. 5448/33

Station Chepauk, Madras., *Dated the* 25th January 19 34.

From (Name) M.R.Ry Rao Bahadur K.Deivasikhamani Mudaliar Avl.,
(Designation) Registrar of Co-operative societies.

To The Secretary to the Government of Madras,
DEVELOPMENT Department.
Fort St.George, Madras.

Sir,

I have the honour to report that the working of the Hospet Co-operative Central Bank has not been satisfactory for some time past. I inspected the Bank in January last year, and I had been to Hospet again in November '33. I found that the condition of the societies in the Bellary District has deteriorated still further since my visit in January '33. I may briefly state below the present condition of societies in the District.

On 30-11-1933 there were 252 societies affiliated to the Hospet Central Bank. Of these, 208 societies were indebted to it and 192 societies were in default to the Bank in regard to the repayment of their loans. Of the remaining 16 societies, 12 were given extension of time for the loans due by them. Of the 12 societies referred to, four did not repay anything towards principal for over three years and still they were given extension of time. The total amount of loans outstanding against societies on 30th November '33 was ₨ 9,90,993/- of which ₨ 7,48,417/- was overdue on that date. In other words, the percentage of overdues work out to about 75%. This is bad enough. A further analysis of the overdues according to the period for which they have been overdue will show that the position is worse than what it would appear from the point of view of mere percentage of arrears. The following is the classificiation of the arrears according to the period:-

As on 31-10-33.

	₨
Under 1 year	2,64,747
Over 1 ,, but below 2 years	1,28,091
,, 2 years ,, 3 ,,	3,04,172
,, 3 ,, ,, 4 ,,	24,483
,, 4 ,, ,, 5 ,,	10,426
,, 5 ,, ,, 6 ,,	6,259
,, 6 ,, ,, 7 ,,	4,076
,, 7 ,, ,, 8 ,,	7,107
,, 8 ,, ,, 9 ,,	6,058
,, 9 ,, ,, 10 ,,	480
,, 10 ,, ,, 11 ,,	566
	7,56,465
Collections in November '33	7,748
	7,48,717

About 50% of the overdue amounts is locked up in 82 societies which have not paid anything towards principal for over three years. The Bank obtained decrees in 12 societies and the amount covered by them was ₨ 59,413/- and the loans due from 22 societies under liquidation amount to ₨ 80,704/- under ~~liquid~~ principal and ₨ 13,726/- under interest.

The repayments by the members to societies

the Executive Committee under the bylaws or subsidiary bylaws of the Bank. shall vest in the Special Committee.

A meeting of the Special Committee shall be convened by the Secretary once a month or oftener, if necessary, to conduct the business of the Bank. If not less than 3 members ask for a meeting of the Special Committee or at the instance of the Registrar or the Madras Provincial Co-operative Bank the Secretary shall arrange for the holding of the meeting.

The quorum for a meeting of the Special Committee shall be 4 members. The Special Committee shall choose a Chairman to preside at each meeting. All questions before the meeting shall be decided by a majority of votes. When votes are equal, the chairman shall have a casting vote.

Subject to such resolutions as the Special Committee may from time to time pass, the Secretary of the Bank shall be responsible for the Execution administration of the bank. He shall have power to fine, or suspend any member of the staff subject to the approval of the Special Committee. The Committee shall elect Treasurer from among themselves who shall have custody of all the properties of the Bank and shall be competent to operate upon any current or other accounts that may be opened in the name of the Central Bank. He shall have power to delegate all of his powers to any member of the Committee.

For a period in which these transitory bylaws are in force, bylaw 28 is kept under suspension. The power to convene general body meetings shall vest in the Special Committee subject to the previous approval of the Registrar. It shall not be competent for any member or members of the General body of the Bank to requisition the Special Committee to convene a General body meeting.

The pronotes or bonds to be executed by the Bank shall be signed by the Secretary and shall be attested by two members of the Special Committee. All documents in favour of the Bank shall be in the name of the Secretary and he shall be the officer to sue or be sued on behalf of the Bank.

If there is a vacancy on the Special Committee it shall be filled up by the Registrar in consultation with the Madras Provincial Co-operative Bank.

It shall be competent to the Special Committee to frame or modify subsidiary bylaws for the conduct of the business of the Bank provided they are not repugnant to the intentions of the Act or the rules under the Act and these transitory bylaws."

It should be noted that the transitory bylaw does not give power either to the Special Committee or others to call for General body meetings except with the sanction of the Registrar. This is to avoid frequent meetings of the General body which was the feature for some time. Unfortunately, this special Committee consisted of three men from each faction with a mediator Owing to the ill-feeling and lack of harmony among the members of the Committee it could not meet with any success though it must be said to its credit that it was able to collect the interest dues and reduce the working expenses of the management of the Bank. Th whole time of the mediator Mr.A.Ranganatha Mudaliar was spent in settling the differences and disputes which arose between the two parties and nothing constructive could be done. I attended a meeting of the Special Committee recently and I am convinced that the Committee, as it is constituted now, cannot rise equal to the occasion nor is it competent to devise strong remedial measures which are, in my opinion, necessary to prevent the movement in the Bellary District from disaster. I have drawn up a scheme of rectification of societies for certain districts (copy enclosed) and I consider that rectification work should be done in the Bellary district on these or similar lines. But so long as the present Committee continues, it is not possible that any endeavour will be made to push through the scheme. If the old constitution is restored and the Bank is again entrusted with the management, matters may become worse.

3. It may be seen from what I stated in paragraphs 1 and 2 that the position of the Bank is serious and calls for

for strong action. Personally I am of opinion that the Central Bank needs to be liquidated but when I placed the matter before the Executive Committee of the Madras Provincial Co-operative Bank in its meeting held on 15-12-1933, the Executive Committee of the Bank considered the matter in all its aspects and adopted the following resolution:-

"Read Registrar's letter and note...

Resolved (1) to concur in any proposal which the Registrar may make for taking action against the Hospet Bank under Section 43 of the Co-operative Societies Act;

(2) the Committee, however, suggests that the President of the Provincial Bank and the Registrar may meet the general body and try to bring about a more satisfactory arrangement, if possible

4. With due regard to the wishes of the Provincial Bank, I asked the Secretary of the Hospet Bank to convene a meeting of the General body of the Bank on the 7th instant for the purpose of considering an amendment to the transitory bylaws of the Bank. I suggested the following amendment to the transitory bylaws.

"Nothwithstanding anything contained in the bylaws of the Bank, the entire management of the Central Bank shall vest in a Committee hereinafter called the Special Committee consisting of three persons nominated by the Registrar. All the powers exercisable by the Board of Management and the Executive Committee under the bylaws or subsidiary bylaws of the Central Bank shall vest in this Special Committee. The Special Committee shall have power to appoint. subject to the previous approval of the Registrar, a suitable man as secretary and fix his pay, and to frame a budget of expenditure and to incur all expenditure necessary for the efficient management of the Bank. The Committee shall hold office for a period of two years from 1st February '34. The period may, at the discretion of the Registrar and in consultation with the Madras Provincial Co-operative Bank, be extended suitably. The Committee shall elect from among themselves a President who shall preside at all meetings of the Special Committee and of the General Body. meeting of the Special Committee shall be convened by the Secre-

Secretary or by the President once a month or oftener, if necessary toconduct the business of the Bank. If two members of the Committee ask for a meeting or at the instance of the Registrar or the Madras Provincial Co-operative Bank, the Secretary shall arrange for the holding of the meeting. The quorum for a meeting of the special Committee shall be two members. All questions before the meeting shall be decided by a majority of votes.

Subject to such resolutions as the Special Committee may from time to time pass, the Secretary of the Bank shall be responsible for the executive administration of the Bank. He shall carry out the programme of rectification of societies chalked out for him by the Special Committee with the approval of the Registrar. He shall have power to fine or suspend any member of the staff subject to the approval of the Special Committee. The Committee shall elect a Treasurer from among themselves who shallhave custody of all the properties of the Bank and shall be competent to operate upon any current or other accounts that may be opened in the name of the Central Bank. He shall have power to delegate all his powers to any other member of the Committee or to any other suitable member of the staff with the approval of the Committee.

For the period during which these transitory bylaws are in force, bylaw 28 is kept under suspension. The power to convene General body meetings shall vest in the Special Committee subject to the previous approval of the Registrar. It shall not be competent for any member or members of the General body of the Bank to requisition the special Committee to convene a General body meeting

The pronotes or bonds to be executed by the Bank shall be signed by the Secretary and shall be attested by two members of the Special Committee. All documents in favour of the Bank shall be in the name of the Secretary and he shall be the officer to sue or be sued on behalf of the Bank.

If there is a vacancy on the Special Committee it shall be filled up by the Registrar".

The General Body meeting of the Bank was held on

A scheme for adoption by the Central Banks for an examination of all outstanding loans in primary societies.

****

Every loan in every society shall be examined with a view to find out whether it stands on adequate security and whether action should be taken at once to collect it or time can be given to enable the borrower to pay it of his own accord. For this purpose a classification of borrowers will have to be made as detailed below after full investigation:-

(i) Those whose loans stand on good security and who can be expected to pay out of income within the period given, or within the period to be extended.

(ii) Those whose loans stand on inadequate security but who can give and are willing to give additional security, and who can pay out of income within the period given or within the period to be extended; and

(iii) Those against whom action should be taken at once either on account of their inability to pay out of income or on account of inability to give additional security or for other reasons.

The history of each loan should be written and suitable action suggested. In the course of investigation the amount of debt which will prove bad or is doubtful of recovery should be ascertained and noted.

2. In the matter of giving extensions of time, great care should be taken. Only borrowers who can be relied upon to pay out of income should be given extensions of time. The period of extension shall not ordinarily exceed one to three years. Where it is found inexpedient to take action against a very large number of persons at the same time in a single village, action in regard to some may be postponed for a time. In making the selection of persons against whom action may be postponed, the case of those who can raise credit elsewhere or who can sell their property of their own accord should be considered. In such cases extensions of time should not be

be given although action may be deferred. The previous approval of the Central Bank is necessary for giving extensions of time. The object of the scheme is not to reduce the overdues by the grant of extensions. For the purpose of the presidency administration report the amounts involved in extensions granted will be treated as overdues. Any attempt to grant extensions for this purpose should be avoided. Where extensions are given, there should be no debit and credit entries in the day book, that is to say, there should be no book adjustments. Where additional security is taken encumbrance certificates should be obtained where required. This is particularly necessary where the loan involved is large. The additional security should be taken by means of a supplemental bond without varying the original conditions. If in the course of investigation, cases are found which are fit for transfer to Land Mortgage Banks, the parties should be asked to apply to them. The test for transfer is this. The income from the land to be mortgaged should be sufficient to pay the annual instalment including interest and the income from other lands or from other reliable resources should be sufficient to maintain the family of the borrowers. If in the course of investigation it is found that if certain concessions are given, the borrowers are likely to pay their dues in full without compelling the societies to resort to coercive action which will cause some loss to the society, such concessions may be given with the previous approval of the Central Bank, for example, waiving of penal interest. This concession can be given only in the case of societies where unlimited liability is not likely to be enforced against members in order to pay the outside debts. Penal interest can be waived only by means of a transitory bylaw which may run as follows:-

"Notwithstanding anything contained in bylaw Nos:..... interest on the loans outstanding on ....* shall be charged only at the original rate of 9 3/4 % per annum if the borrowers repay their loans completely on or before .....* No part of the interest collected at any higher rate before this date of ...* shall be refunded or taken into consideration in calculating the amount of interest to be paid on the loan outstanding on the date of payment."

*Here enter date.

In the matter of coercive action, the help of the regular staff working in the area will also be found necessary.

6. If, for the purpose of taking coercive action, the society has no funds, the Central Bank will have to advance the money if, in its opinion, the advance can be safely made. If in the course of investigation the staff finds that in any case coercive action will be useless for the reason that the loan cannot be recovered, the previous approval of the Committee will be necessary for writing off the amount.

7. It should be borne in mind that the entire work is done in the name and on behalf of the society concerned and every action should be supported by a resolution of the panchayat or the general body as the case may be.

8. A monthly review should be issued on the action taken.

******

15

No. A. 5142/33.

Office of the Registrar of
Co-operative Societies
Madras. Dated 25th January 193

From

M.R.Ry. Rao Bahadur K. Deivasikhamani Mudaliar Avl.,
Registrar of Co-operative Societies.

To

The Members of the Special Committee,

Hospet Co-operative Central Bank Ltd.,

H o s p e t.

S i r,

Sub:- Supersession - Hospet Co-operative Central Bank Ltd
Bellary district - supersession of the Committee.

***

The affairs of the Hospet Co-operative Central Bank have not been satisfactory for a long time past and the periodical inspections made from time to time revealed that its affairs have been growing from bad to worse. The condition of the affiliated societies is scarcely better. The members of these societies have not been repaying their loans to their societies promptly and the overdues of members to societies work out to 85 percent. An examination of the loans due by members has revealed that many of the loans will prove bad. The Deputy Registrar, Bellary, has estimated that in 169 societies a sum of Rs 2,25,710/- will prove bad In the societies the estimate has not yet been made. It is likely that the total of bad debts in all societies affiliated to the Bank will be considerably higher than that now estimated by the Deputy Registrar.

2). On 30-11-'33 two hundred and eight societies have been indebted to the Bank and of these, 204 have been in default to it and in eight of these cases extension have been granted though four of them did not repay anything towards the principal for over three years. Out of a sum of Rs 9,90,993/- owing to the bank, a sum of Rs 7,48,717/- was overdue on 30-11-33, and the bulk of it has been overdue for about three years. The position has grown

grown worse than what it was in January 1933. In January 1[illegible] 253 societies owed to the bank Rs 1,025,819, and a sum of Rs [illegible] was overdue. The following figures indicate that the position has been deteriorating and gives cause for anxiety.

	Percentage of overdues to the Bank.		
	(L.T) Principal.	(S.T.)	Interest.
1929-30.	63.75	18.69	[illegible].62
1930-31.	84.60	67.49	[illegible].42
1931-32.	94.76	76.23	32.05
1932-33.	87.45	46.01	32.54

Of the sum of Rs 7,48,717/- overdue 36 societies had overdues amounting to Rs 31,943/- for more than five years; a sum of Rs 4,37,[illegible]/- (i.e. over 50 % of the overdues) was locked up in 82 societies which have not made any repayments to the Central Bank towards principal for over three years. Collections in most of these societies have been very poor. The collections were either by book adjustment or there reloaned to members or retained as cash balances. The collections in all these societies for the year 1932-33 amounted to about Rs 51,000/- only. The members of these societies owed to their societies Rs 10,77,941/- as on 30-6-'33. and of this, Rs 9,16,346/- were overdue. It is evident from what has been said above that the present supervising agencies viz. the local unions and the administrative section of the Central Bank which took over the work of rectification and consolidation of societies from the District Federation cannot be depended upon any longer for collection work and the safeguarding of the interests of the vast body of depositors.

3). This bad state of affairs in these societies is reflected in the working of the Central Bank. The bank has not been able to repay its dues to the Madras Provincial Co-operative Bank on the due dates for the last two years. On 30-6-32 the overdues to the Provincial Bank were Rs 1,05,000/- and on 30-6-33 they were Rs 43,000/-

The Bank has been depending almost entirely upon the renewal of deposits for meeting its obligations to its creditors. An examination of the financial position of the Bank reveals that the deposits falling due during the next 12 months amounting to Rs 2,09,715/- and the loan falling due to the Provincial Co-operative Bank amounting to Rs 1,17,000/- may not be repaid from out of the collections expected from societies.

4). The directors of the Bank did not realise the seriousness of the situation. There was factitious spirit prevailing among them and it became bitter after the appointment of a non-official paid secretary. There were two distinct parties, one composed of the people in the Bellary area and the other of people in the Hospet area. Meetings of the general body were frequently held to discuss over and over again topics about which opinion was divided. No really useful work was done at these meetings. Complaints were received from one party against the other. The Registrar, Mr. D.N. Strathie, visited the Bank in July 1932 and pointed out to the directors that their attitude was not conducive to the interests of the bank and made certain suggestions for improving matters. The Board of Management sent an elaborate rejoinder to the Registrar's letter and tried to justify its position instead of composing the differences and restoring the smooth working of the Bank. In the meantime a general meeting of the Bank was held in September 1932 and it passed a vote of "no confidence" in the Board of Management. Several members of the Bank sent in petitions to the Registrar requesting him to take over its management into his hands. With a view to set matters right, the Registrar, in consultation with the Provincial Co-operative Bank suggested the adoption of a transitory bylaw creating a special committee of seven persons invested with all the powers of the Board of Management and the Executive Committee. This suggestion was adopted and the special committee came into existence in November 1932 and continues to this day.

5). Unfortunately the factious spirit prevailing in the area crept into this committee also. The Committee is composed of

of three members belonging to each party and a non-party member Mr. Ranganatha Mudaliar. Owing to lack of harmony among the members, this committee could not meet with any degree of success and pull up the movement in the district from its present condition notwithstanding the efforts of Mr. Ranganatha Mudaliar. The other members of the committee did not fully cooperate with him. The committee, as at present constituted, cannot rise equal to the occasion. Strong remedial measures are, in my opinion, necessary to prevent the movement in the Bellary district from disaster. A scheme of rectification of societies involving detailed examination of every loan outstanding in the societies shall have to be taken up vigorously. Neither the Special Committee nor the Board of Management under the old constitution, if restored, will in my opinion take it up. With a view to give the Bank another chance to improve matters and to safeguard the interests of the movement in the district ~~I suggested~~ I suggested to the Bank the adoption of ~~to the Provincial Bank to adopt~~ a new transitory bylaw providing for a Special Committee consisting of three persons nominated by the Registrar with all the powers of the Board of Management and of the Executive Committee. The general body of the Bank which met on 7-1-34 declined to adopt the suggestion of the Registrar.

6). From what has been stated above it is clear that the Bank has not availed itself of the several opportunities given to it to sink ~~emit~~ personal differences among the members, realise the gravity of the situation in the district and lift the movement from its present unsatisfactory position. There are also no indications that party strife would abate and the interests of the movement in the district would receive that degree of prompt attention which it required. I therefore propose to supersede the committee of the Bank under sec. 43 of the Madras Co-operative Societies Act VI of 1932 and place a departmental officer in charge of its management.

The Koaget Co-operative Central Bank Limited., Koaget.

Statement showing the maturities of Time Deposits, loans repayable to the Provincial Bank and loans recoverable from Societies. as on 30- 6- 1933.

Period.	Fixed Deposits.	Loans due to Provincial Bank.	Total. (Cols: 2+3)	Loans recoverable from Soc. (Demand)	Collections of previous year.
1	2	3			
	Rs.	Rs.	Rs.	Rs.	Rs.
Overdue.	9.774	43,000	52,774	7,51,[illegible]73	
July 1933.	4,760		4,760	21,[illegible]35	3,519
August "	12,210	8,000	20,210	100	4,372
September "	10,721	15,000	31,721	105	5,082
October "	7,315	-	7,315	105	6,171
November"	10,150	-	16,150	50	2,497
December "	12,150	-	12,150	6,[illegible]00	1,775
January '34	15,447	19,500	34,947	2[illegible]	7,[illegible]37
February "	10,323	10,000	20,323	5,[illegible]13	3,3[illegible]1
March "	8,195	27,500	35,695	[illegible],[illegible]14	8,505
April "	8,999	-	8,999	41,[illegible]11	3,[illegible]63
May "	8,600	20,000	28,600	37,[illegible]10	17,[illegible]26
June "	11,518	-	11,518	30,[illegible]18	8,3[illegible]1.
total for 1933-34.	1,42,162	1,43,000	2,85,162.	9,40,618	
Total for 1934-35	1,26,200	18,850	1,45,050	45,[illegible]23	
Total for 1935-36	47,104	850	47,954	18,[illegible]08	
Beyond 1935-36	16,972	800	17,772	1,[illegible]10	
	Transferred	17,912.	17,912		
Grand total.	3,32,447	1,81,412	5,13,859	10,00,01[illegible].	

The Hospet Co-operative Central Bank Ltd.

Assets as on 31-12-1933.

		Rs	as.	ps.
1. Cash on hand		8,408	13	0
2. Investments --				
Shares in Provincial Co-op. Bank		15,000	0	0
Reserve fund of the Bank		39,536	3	0
Other Deposits		28,230	6	0
Government Promissory notes		9,850	0	0
3. Loans due by:-	Individuals	27,948	7	0
	Societies	9,09,952	1	0
	Societies (liquidated)	83,697	10	0
4. Interest accrued:-		97,611	0	0
5. Value of furniture,etc.		1,185	4	0
6. Suspense assets		7,001	6	0
Total assets		12,28,421	2	0

Liabilities as on 31-12-33.

1. Loans and Deposits:-			
(a) Individuals	5,47,901	2	0
(b) Local Boards & Institutions	67,243	1	0
(c) Provincial Bank Loans	1,64,651	0	0
(d) Primary Societies-Reserve Fund	96,395	4	0
Deposits	27,746	10	0
2. Share capital of societies	1,58,297	14	0
3. Interest due by Bank	25,187	0	0
4. Dividend due and suspense liability	4,803	11	0
5. Reserve fund	35,652	10	0
6. Other funds	19,647	8	0
7. ~~Dix~~ Undistributed profits	12,085	5	0
Total liabilities	11,59,611	1	0
Net difference between assets and liabilities	68,810	1	0

Pub 27.1.34

Development Department.

O.M.No. 577 III/547 d. 14 2 34

Ref: Letter from the Regr. C.S. No.5448/33, dated 25-1-34 - Hospet Central Bank - unsatisfactory working - steps taken.

It is obvious that the circumstances have been affairs of the bank very bad for some time past and they have shown work since Novr.1933. As soon as a reply to the Regr.'s letter No.5448/13 d.25-1-34 is received from the committee of the Bank, the Regr. is requested to intimate to Government the further action he proposes to take, after consulting the Madras Provincial Bank definitely on the proposed action with reference to section 43(5)(ii) the Madras Co-operative Societies Act. The Regr. is requested to see that special care is taken to prevent a break-down as the bank affected is a financing bank. He is therefore requested to take further steps at once and keep Govt. informed of the position at every stage.

To the Regr. C.S.

help.

3. I have already said in my letter to Government No. A. 5448/33 dated 25th January 1934 that liquidation is preferable to supersession. But owing to the wishes of the Provincial Bank I agreed to try supersession as it may give a chance to the Bank to be revived. If it becomes inevitable to cancel the registration of the bank owing to the unwise step which the depositors may take, there can be no help for it. Mr. Thammappa, the Managing Director of the Branch Bank at Bellary, saw me this morning and he told me in the course of his discussions with me in regard to the affairs of the Bank that there was no possibility of a "run" on the Bank. The Provincial Bank has also resolved to establish a branch to finance societies. There will therefore be no hardship to societies even if the bank is liquidated. Such of the societies whose assets are good can borrow from the Provincial Bank and pay off the liquidator.

4. The Provincial Bank has also suggested the desirability of appointing three local gentlemen to be in charge of the Bank as managers under section 43 of the Act. I doubt whether it is possible to do this. I however want to find out whether any suitable gentlemen unconnected with the two parties will come forward to take up the responsibility. I am going to Bellary and Hospet and after ascertaining the possibility of securing local gentlemen shall pass orders superseding the Committee of the Bank.

I have the honour to be,

Sir,

Your most obedient Servant,

K Devarakonda Rao

Registrar.

Bro 22.2.34

No. 1006-III

28-2-34

C.F. 30.

CO-OPERATIVE DEPARTMENT.

ASSISTANT SECRETARY TO GOVERNMENT
28 FEB 1934
DEVELOPMENT DEPARTMENT

Received ..... 19 *Registered* 19

Subject.

Balakrishna Ayyar (M.R.Ry R.)-Acting Sub-Deputy Registrar of co-operative societies--Foreign service--loan of services to the Hospet Co-operative Central Bank Ltd.--sanction requested.

ENCLOSURES. ✓
No. .....
.....
Spare copies .....

G.No. 1127/34

Station Madras, *Dated the* 27th February 1934.

From (Name) M.R.Ry Rao Bahadur K.Deivasikhamani Mudaliar Avl.,
(Designation) Registrar of Co-operative Societies.

To The Secretary to the Government of Madras,

Development Department.
Fort St. George, Madras.

Sir,

Pp 23-2-34 Ref: My letter No. A. 5448/33 dated 22-2-1934 regarding the supersession of the Hospet Co-operative Central Bank.

Copy of pp 28-3-34 wfs I have issued orders superseding the special committee of the Hospet Co-operative Central Bank Ltd. under section 43 of the Madras Co-operative Societies Act VI of 1932 for a period of one year from 26-2-1934 and appointing M.R.Ry.R.Balakrishna Ayyar, Acting Sub-Deputy Registrar of Co-operative Societies, to manage the affairs of the Bank during this period or till another person or persons are appointed in his place or along with him, ~~under section 43 (3) of the same Act~~. I enclose a copy of my order. I would not

pp 28-3-34 wfs

27/

be surprised if this order leads to liquidation.

2. I request that the Government may be pl to sanction the deputation of M.R.Ry R.Balakrishna Ayyar, Acting Sub-Deputy Registrar of Co-operative Societies, to the Hospet Co-operative Central Bank for a period of one year from the date of transfer. The Sub-Deputy Registrar is at present drawing Rs 100/- per mensem and he may be allowed to draw 25 % more than his grade pay in foreign service. I also request that the Government may be pleased to approve of my action in having deputed the officer in anticipation of Government sanction, as he had to take charge as soon as my order was issued. The contributions towards leave salary and pension of the officer will be recovered from the Bank.

I have the honour to be,

Sir,

your most obedient servant,

Krishnaswamy

For Registrar. 27.2.34

sr. 27-2. 27.2.34

A. 5448/33

Office of the Registrar of
Co-operative Societies,
Madras, (Camp) Bellary,
Dated 26th February 1934.

M. R. Ry Rao Bahadur K. Deivasikhamani Mudaliar Avergal,

R e g i s t r a r.

Proceedings

Subject:- Supersession - Hospet Co-operative Central Bank Ltd., Bellary District - Supersession of the Committee.

Read:- (i)Registrar's letter A. 5448/33 dated 25-1-'34 to the members of the Special Committee of the Hospet Co-operative Central Bank Ltd.,

(ii)Letter dated 4-2-'34 from the members of the Special Committee.

----00----

O R D E R

The affairs of the Hospet Co-operative Central Bank Ltd., have not been satisfactory for a long time past and the inspections made from time to time revealed that the position of the bank has considerably deteriorated. The working of the affiliated societies was bad and the overdues from the members to these societies mounted upto 85% on 30-6-33.. These societies have not been able to fulfil their obligations to the financing bank and out of a sum of ₨ 9,90,993/due to the bank from them, a sum of ₨ 7,48,717/- was overdue on 30-11-33. A study of the corresponding figures relating to the previous years shows that the position has been deteriorating and gives cause for anxiety. The figures for previous years were as follows:-

Year.	Percentage of overdues to the Bank		
	Principal.		Interest.
	Long Term.	Short Term	
1929-30.	63. 75	18. 69	30. 62
1930-31.	84. 60	67. 40	52. 42
1931-32.	94. 76	76. 33	32. 05

the Administrative section of the Central Bank which is in charge of the consolidation and rectification of societies has not been able to pull up these societies.

2. The directors of the bank failed to realise the seriousness of the situation. There was no harmony amongst them. Meetings of the general body were held frequently to discuss matters over which opinion was always divided. The Registrar visited the bank in July 1932 and impressed that the attitude of the directors was not conducive to the good working of the bank and made some suggestions for improvement. The directors did not act up to the suggestions made by the Registrar. With a view, to set matters right some of the members sent in petitions requesting the Registrar to take over the management of the bank into his hands. The Registrar in consultation with the Madras Provincial Co-operative Bank suggested the adoption of a transitory bylaw providing for a special committee of seven persons invested with all the powers of the Board of management and the Executive Committee. This suggestion was adopted and the special committee came into existence in November 1932 and has continued to function to this day. The factious spirit prevailing in the area crept into this committee also and the committee has not been able to improve matters. It was found necessary to take up a vigorous scheme of rectification and consolidation of societies, and to collect the long standing debts in societies. It was thought that only persons who had no idea of getting themselves elected to the Board of Management again could take action against defaulters in the present condition of the societies. The Registrar therefore

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xx therefore suggested that the existing committee be replaced by a smaller committee consisting of three persons nominated by the Registrar. The general body of the bank which met on 7-1-34 declined to adopt this suggestion.

3. The Bank has not availed itself of the several opportunities given to it to sink personal differences among the members, realise the gravity of the situation, in the district and lift the movement from its present unsatisfactory condition. All possible methods of improving matters have been tried without success.. It has become abundantly ~~xxxx~~ evident that the situation cannot, in the interests of the movement in the district and the creditors, be left to the committee which has failed to appreciate the seriousness of the position and to subordinate personal differences of opinion to the larger interests of the bank and the well-being of the movement. The only alternative seems to be supersede the committee of the bank under section 43 of the Co-operative Societies Act and to appoint a suitable officer to manage its affairs. The Madras Provincial Co-operative Bank which was consulted in the matter has agreed to the supersession of the committee of the Central Bank. The special committee of the Hospet Co-operative Central Bank Ltd., was therefore asked to state before 5-2-34 their objections, if any, to the supersession of the committee.

4. The special committee which met on 3-2-34 considered the matter and have stated in reply that they are not in favour of supersession. They admit that the working of the societies is bad but state that all steps are being taken to improve the working and that a scheme of rectification would be taken up in three unions shortly. They opine that the differences of opinion, if any, amongst

...ment the members have not affected the normal working of
...the Bank. Judging from the past history of the movement in
...the District I am not convinced that any improvement can be
...effected if the committee is allowed to continue nor am I
...convinced that the Board of management under the old constitu-
...tion, if restored, will be able to cope with the situation.
...They were failed during the last 3 years to realise their
...responsibility in the matter of collecting the overdues.
...They cannot be expected to take that drastic action against
...defaulters which has become necessary now. The supervising
...officers to which cycles of the notice of supersession were
...sent and whose representatives will be on the Board of Manage-
...ment if the normal constitution is restored, have not, except
...in rare cases, protested against supersession. I therefore
...hereby dissolve the Special committee of the Hospet Co-opera-
...tive Central Bank Ltd., under section 43 of the Madras Co-
...operative Societies Act VI of 1932 for a period of one year
...with effect from 26-2-1934, and appoint M. R. Ry R. Balakrishna
...Ayar, Sub-Deputy Registrar to manage the affairs of the Bank
...during this period or till another person or persons are
...appointed in his place or along with him under section 43 (3)
...of the same Act. I order that the Bank shall pay from out
...of its funds the pay and allowances of the officer and con-
...tribution to Government on his behalf towards his leave and
...pension. He will draw his grade pay plus 25% of that
...pay.

R e g i s t r a r.

To the Secretary, Hospet Co-operative Central Bank Ltd., Hospet
Copy to the Deputy Registrar, Bellary.
" to the Madras Provincial Co-operative Bank for information
" to the Presidents of Local Co-operative Unions in the
District for information (through the Deputy
Registrar).

A.M. 26-2-'34.

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Development Department.

Hospet Central Bank- unsatisfactory working - steps to be taken.

(From the Regr. C.S.No. A-5448/33, d. 25-1-34)

To the Asst: Secretary.

In his letter in the c.f. the Regr. brings to notice the state of affairs in the Hospet Central Bank and proposes to supersede the committee of the Bank in the circumstances mentioned by him. He has given notice of his intention to the Directors of the bank and proposes to take action on receipt of their reply.

2. For the last about three years the working of the Bank has not been satisfactory. In 1930-31 its arrears under short-term and long term loans were 67.4 and 84.6 against a Presidency average of 31-19 and 57.18. In 1931-32 the arrears amounted to 76.33 for short term and 94-76 for long term. In his administration report for 1931-32 the Regr. reported that there had been factions in the Hospet Bank but that the management was organised and with excellent harvests in prospect there were good hopes that the overdues would be substantially reduced in the year 1932-33. In his report for 1932-33 it is reported that the Bank redouped its loss of the previous year and made a net profit of Rs.14,664. The amount overdue to the Provl:Bank was Rs.43,000. Its arrears under long term and short term loans amounted to 87.45 and 46.01 against the Presidency average of 61.20 and 38.05. Loans outstanding against societies on 30-11-33 amounted to Rs.9,90,993 of which Rs.7,48,4[illegible] was overdue. Collections from these societies in 1932-33 amounted to Rs.51,000 only. It is estimate

that a sum of Rs.2,25,710 would prove bad debts.

3) It is reported that the Directors of the Bank were fighting for power, factions increased and the condition of the bank has not improved. They were quarrelling over the appointment of a non-official paid Secretary - please see the Regr.'s letter at pp. 146-158 to the Directors of the bank making some suggestions for better working. The Directors did not act up to the advice and sent a long rejoinder in support of their action. The general body meeting held in Septr. 1932 passed a vote of non-confidence on the Board of management. The Regr. after consulting the President of the Provl: Bank advised the bank to introduce a transitory bylaw entrusting the management of the bank to a special committee of seven members selected from various interests. The bylaw was adopted. Unfortunately the committee consisted of three ~~men~~ persons of the Hospet party and three from the Bellary party and a mediator, a non-party gentleman. Owing to lack of harmony and ill-feeling it could not work well and take any strong remedial measures for the better working of the bank. In consultation with the Provl: Bank the Regr. again suggested another transitory by-law for adoption by the general body according to which the entire management of the bank was to be entrusted to a special committee of three persons to be nominated by the Regr. The general body which considered the by-law on 7-1-34 was not in favour of the by-law. // With the frequent change in the management of the bank no effective control was exercised over the field staff and there was no progress in collections. The deposits falling due in the next 12 months amount to Rs.209,715 to depositors and Rs.117,000 to the Provl: Bank, while the repayments expected are poor. The management of the bank has not realised the serious situation and has not cared to

H 33

Urgent action is needed. This being a financing bank, Special care shd be taken to forward a broad one.

RR
9.2.34 S.

Y/S & the RCS must go ahead with that one & keep Govt. informed. Really this crisis appears to have been obvious in November last

9/2

Dear Dept

To A.S

a draft OM is submitted for approval.

Ian 10.2.34 RR 14.2.34

RR 14.2.34 S.

14/2

(From the Regr: C.S No. A.5244/33 d 22.2.34)

To A.S

Please see the further report from the Regr at pp 23-25 ante. The file may be read to HH½: for perusal of the reports of the Regr.

Ian 22.2.34

RR 23.2.34 S.

24/2

H. M. 2

Sean. Thanks. If any steps are to be taken let the Regr meet us in the matter soon.

26/2/34

Ian 24/2

Submitted that the R.C.S. may instruct me to go to Bellary to see about this.

H.M.2

27.2.34

C.No. 1006 III. From the Registrar dtd. 27.2.34

To Asst Secy.

Please see the further letter from the Registrar at pp 26-27 C.F. and copy of this order superseding the Special Committee of the Bank at pp. 28-31 C.F. He has appointed Mr R. Balakrishna Iyer acting Sub-Dy Regr of Cs. to manage the affairs of the Bank and requests that his deputation to the Bank may be sanctioned under the Foreign Service rules. A draft order is sent for approval.

The Reg. has not reported whether the availability of local gentlemen, with reference to para 4 of his letter at p. 25 C.F. Perhaps competent non-Officials were not available. He told me not

2.3.34

RK 3.3.34 S.

H.M.2 3.3.34

Circular A. B. 37

13/35

DRAFT FOR APPROVAL.

38

C.F.16.

	Date.	Initials.
When received for fair copying ..		
When copied ..		
When examined..		
When signed ..		
When despatched.		

SUBJECT:— Dev Dept

Co. operative Societies

Central Banks -

Hospet Co. operative Central Banks

Bellary district - Unsatisfactory working - Supersession papers recorded.

READ AGAIN G.C.O. No. 311(Mis)Rev, dated 6. 3. 1934 (Y)

" " " " 19

READ *ALSO*:—

No. 517 III From the Regr. o/cs , No. A 5748/33 dated 25-1-1934.
Con. Do the " " 517 III/34-1d. 14-2-34
" 9/12 III " " " " A 5748/33 " 22-2-1934.
" 1006 III " " " " G.1127/34 " 27-2-1934.

Order ~~Resolution~~ Ms. No. 601, dated 3. 5. 1934.

Recorded.

RS
25.5.4

Do the Regr o/cs

(with file Dis A.3756/32 d. 29.11.32 retd) - flag (G)